

Message Text

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PAGE 01 HONG K 06003 251006Z
ACTION EB-07

INFO OCT-01 EUR-12 EA-07 ISO-00 CAB-02 CIAE-00 COME-00
DODE-00 DOTE-00 INR-07 NSAE-00 EPG-02 FAA-00 L-03
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FM AMCONSUL HONG KONG
TO SECSTATE WASHDC PRIORITY 5024
INFO AMEMBASSY LONDON PRIORITY

C O N F I D E N T I A L HONG KONG 6003

LONDON FOR AMBASSADOR BOYD

EO 11652: GDS
TAGS: EAIR, HK, UK
SUBJECT: US-UK NEGOTIATIONS: HONG KONG ROUTES

REF: A) LONDON 8473, B) HONG KONG 5807, C) HONG KONG 5695

1. SUMMARY. CONGEN SUPPORTS USDEL'S ARGUMENT THAT HK POSITION
SUMMARIZED REFTEL A IS NOT AN "ACCEPTABLE BASIS FOR NEGOTIATION."
CONGEN CONTINUES TO BELIEVE THAT ANY HK POSITION WHICH DEMANDS
REDUCTIONS IN US CARRIER PASSENGER OR CARGO SERVICE TO OR VIA HK
JEOPARDIZES HK'S TRUE INTERESTS IN ITS OWN BILATERAL RELATIONSHIP WITH

THE US. OUR REPRESENTATIONS REPORTED REFTELS B AND C HAVE HAD
THEIR IMPACT AT HIGH HKG LEVELS. END SUMMARY.

2. CONGEN HAS NO INDEPENDENT SOURCE OF STATISTICS WITH WHICH TO
EVALUATE HK CONTENTION THAT FIFTH FREEDOM ALL CARGO REVENUES FOR
US CARRIERS APPROXIMATE US\$4.5 MILLION ANNUALLY (REFTEL A PARA 1 B).
NEVERTHELESS, WE FEEL THAT HK ARGUMENT, WITH ITS GASTRONOMIC
METAPHOR, THAT FLEDGLING CATHAY PACIFIC NEEDS INCOME NOW EARNED BY
US LINES DOES NOT SQUARE WITH THE FACTS. NO FLEDGLING CARRIER,
CATHAY PACIFIC (CX) FLIES QUITE PROFITABLY WITHOUT AID FROM ITS
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PAGE 02 HONG K 06003 251006Z

MOTHER GOVERNMENT, BE THAT IN HK OR LONDON.

3. CX IS OWNED BY SWIRE PACIFIC LIMITED, A HK BRITISH CONGLOMERATE
TRADING IN THE ORIENT SINCE THE OPIUM WAR. THE COMPANY'S PUBLISHED
ACCOUNTS DO NOT BREAK OUT CX'S PROFITS, BUT SWIRE'S "AIRLINE
SERVICES AND AIR CATERING" GROUP (WHICH INCLUDES AIRPORT SERVICES)
EARNED \$19.4 MILLION IN OPERATING PROFITS IN 1976, UP 60 PERCENT

OVER '75. WHATEVER THE PRECISE AMOUNT OF CX'S PROFITS, SWIRE'S 1976 ANNUAL REPORT PORTRAYS CX AS A MOST SUCCESSFUL AIRLINE BY ANNOUNCING: "CATHAY PACIFIC HAS AGAIN ACHIEVED A SATISFACTORY AND PROFITABLE YEAR DURING WHICH IT CARRIED 1.6 MILLION PASSENGERS AND 48.4 MILLION KILOS OF FREIGHT. A REVENUE LOAD FACTOR OF 60.8 PERCENT WAS ATTAINED."

4. CX'S FLEET AND SERVICE NETWORK CONTINUE TO EXPAND. WITHIN THE LAST SIX MONTHS, CX HAS BOUGHT 2 SUPER TRISTARS AND HAS OPENED ROUTES TO BAHRAIN AND PENANG. LOCAL AIRLINE REPS DEPICT CX AS COMPETENT, VIGOROUS, AMBITIOUS AND PERHAPS THE MOST SUCCESSFUL REGIONAL CARRIER IN SE ASIA TODAY.

5. WE HAVE INDICATIONS THAT OUR REPRESENTATIONS HERE HAVE STIRRED CONSIDERABLE INTEREST WITHIN THE HKG. FOR EXAMPLE, WITHOUT INDICATING WHAT POSITION HE WOULD TAKE, THE POLITICAL ADVISOR (A SENIOR BRITISH FCO OFFICER) TO THE HKG, HAS TOLD US THAT HE PLANS TO RAISE MATTER WITH ACTING GOVERNOR. CONSEQUENTLY, WE BELIEVE NOW IS A GOOD TIME TO TIGHTEN THE SCREW, AND REQUEST DEPARTMENT MAKE PROMPT DECISION ON OUR SUGGESTION ABOUT GSP (REFTEL B).

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